Draft CLECA Comments on Proposals in R. 14-02-001
for Contract Data Base and Risk of Retirement Analysis

The California Large Energy Consumers Association (CLECA) supports the maintenance of a database of contracted generation by the CPUC Energy Division (ED). Cataloging the existence and the term of each contract would provide useful information as to the likelihood of a resource remaining in operation. It appears from the ED's experience to date that LSEs have been willing to share this information on a confidential basis subject to its being made public on only an aggregated basis and we hope they are willing to continue to do so. This information has already made it possible to determine that RA contracting has been occurring on a multi-year basis in many cases, rather than on a year-by-year basis, providing greater financial stability and security for generators.

CLECA is less sanguine about the proposal for development of an economic risk of retirement model (ERORM). It is entirely appropriate to assess the impact of a major policy change like OTC elimination or the Clean Power Plan, which can eliminate the viability of whole classes of resources. Risk of retirement is, however, much more difficult to predict. We list some of our other concerns below.

If the analysis covers a 10-year period, it is very likely that resources may not yet have contracts for later in that period. However, this does not mean that they would not enter into contracts for the later years when their existing contracts expire. Indeed, with the retirement of OTC plants, and local reliability-based procurement on a multi-year cycle, the likelihood of contracting in the future could increase. There should not be an assumption that existing resources would not enter new contracts.

The ED proposes an assumption that if a resource is not profitable and has no contract over 5 years, then it would be at risk of inefficient retirement. Changes are expected with the retirement of OTC plants, and there are significant challenges in obtaining air permits, siting, etc. Accordingly, it may be possible that existing plants without contracts may anticipate improved contracting possibilities after 2020 that encourage them to remain in operation. Once a plant is retired, no such possibility can be realized. Thus, it is not clear that the 5-year assumption is appropriate.

While the ED proposal raises the concern that generation with "desirable characteristics" might be at risk of potential retirement, it appears as though the desirable features are 1) attributes that provide flexible capacity and 2) attributes that meet local reliability requirements. The contract database should be able to track which resources can provide flexibility, once there is a durable definition of flexibility. In the meantime, the attributes suggested by ED (low P_{min}, fast ramp rates, etc.) appear to be proxies for flexibility. These would, of course, have to be updated and made more precise once a durable definition is available.

For local reliability, there is a real issue about how to forecast local reliability needs 10 years into the future. During that time period, transmission system changes will occur and local areas could be eliminated (or possibly created). The CAISO has recently provided its local reliability assessments for 2016 and 2020. However, it has not performed a study for 2025. While the CEC has developed a Local Capacity Annual Accounting Tool, and provided illustrative results at the workshop, we question whether it can account for future changes in topology resulting from changes in the transmission system that may not yet have even been considered or approved by the CAISO.

The CEC Cost of New Generation study has been controversial in the past. It focuses on the cost to build new and future generation resources. The focus on recent and future facilities may not reflect the on-going capital costs for older facilities. The fixed O&M costs have been accused of being high relative to other analyses and some parties have argued that they include costs that others would characterize as variable O&M.

If an ERORM analysis were to be performed, given the uncertainty of many of the assumptions, stochastic modeling is too complex to justify undertaking it. At the workshop, one party suggested that a spreadsheet model might be a simpler approach than the alternative of production cost modeling, and ED should consider this. In any case, given the uncertainties, the results should be viewed with some skepticism. The decision-making of resource owners may well involve factors that the modeling cannot address, such as being positioned for the market several years into the future, even while receiving insufficient revenue in the interim.